AUDITING PROCEDURES REPORT Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Gov	rernment T) Uillage	Other	Local Governm	LAND	TOWNS			EMAW
Audit Date	31-0	4	Opinion 7	Date -20-0	4	Date Accou	Intant Report S 8-36	ubmitted to State	e:	
prepared	l in acco g <i>Forma</i>	rdar at fo	nce with the S r <i>Financial</i> S	Statements	of the Gov	ernmental	Accounting	Standards Æ	•	ancial statements and the <i>Uniform</i> Wichigan REASURY
We affirm			5							2004
		•						1 "	gan as revised	1
		-	ublic accoun		·		_		CAL AUDIT & FI	
			ts and recom			en disclos	ea in the fina	anciai statem	enis, includinį	g the notes, or in
You must	_/		pplicable box							
ges	no	1.	Certain com	ponent uni	ts/funds/age	encies of th	e local unit	are excluded	from the final	ncial statements.
yes	A no	2.	There are a earnings (P.			one or	more of this	s unit's unre	served fund	balances/retained
ges	no	3.	There are in 1968, as ame		f non-compl	iance with	the Uniform	n Accounting	and Budgeti	ng Act (P.A. 2 of
ges	I no	4.	The local un or its require							icipal Finance Act
yes	I no	5.			•				tatutory requi MCL 38.1132	rements. (P.A. 20]).
I yes	no no	6.	The local unitunit.	it has beer	n delinquent	in distribu	ting tax reve	nues that we	ere collected f	or another taxing
yes	₽ no	7.	earned pens	ion benefit ing credits	s (normal co	sts) in the	current yea	r. If the plan	is more than	fund current year 100% funded and ons are due (paid
yes	V no	8.	The local uni 1995 (MCL 1		dit cards and	d has not	adopted an	applicable po	olicy as requir	ed by P.A. 266 of
ges	V no	9.	The local uni	t has not a	idopted an ir	nvestment	policy as re	quired by P.A	A. 196 of 1997	' (MCL 129.95).
We have	enclos	sed	the followir	ıg:				Enclosed	To Be Forwarded	Not Required
The letter	of comr	nent	s and recomr	nendations	s. P6	20		X		
Reports o	n individ	lual	federal financ	cial assista	nce program	ns (prograi	m audits).			X
Single Au	dit Repo	rts (ASLGU).							×
Certified F	Public Acc	count	ant (Firm Nam	ie) BER	THI AU	ME &	COMP	PANY C	PA 5	
Street Add	Street Address 60 HARROW LANE City SAGINAN State ZIP48603									
Accountant Signature Konnech Q. Banhaume										

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60 Harrow Lane Saginaw, Michigan 48603

(989) 791-1555 Fax (989) 791-1992

INDEPENDENT AUDITORS' REPORT

To the Township Board Richland Township Ogemaw County, Michigan

We have audited the accompanying general purpose financial statements of Richland Township, Ogemaw County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township has not maintained a record of its general fixed assets, and accordingly, a statement of general fixed assets, required by generally accepted accounting principles, is not included in the general purpose financial statements.

In our opinion, except that the omission of the financial statement described above results in an incomplete presentation, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Richland Township as of March 31, 2004, and the results of its operations for the year then ended in conformity accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Richland Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

July 20, 2004

Berthiauns & Co.

GENERAL PURPOSE FINANCIAL STATEMENTS

ALL FUND TYPES

COMBINED BALANCE SHEET

March 31, 2004

	G(OVERNMENT. FUND TYPE	AL FI 	DUCIARY FUND TYPE	 ACCOUNT GROUP General ong-Term	(Men	Totals norandum
		General		Agency	 Debt		Only)
ASSETS:							
Cash and equivalents Taxes receivable Amount to be provided for retirement	\$	201,872 9,907	\$	-	\$ -	\$	201,872 9,907
of long-term debt		-		-	157,718		157,718
Total assets	\$	211,779	\$	-	\$ 157,718	\$	369,497
LIABILITIES AND FUND EQUITY: Liabilities: Accounts payable Accrued expense Installment purchase contract payable	\$	3,375 235	\$	- - -	\$ - - 157,718	\$	3,375 235 157,718
Total liabilities		3,610		-	157,718		161,328
Fund Equity: Fund Balance: Unreserved – undesignated Unreserved – designated		87,987 120,182		-	-		87,987 120,182
Total fund equity		208,169		_	-		208,169
Total liabilities and fund equity	\$	211,779	\$	_	\$ 157,718	\$	369,497

ALL GOVERNMENTAL FUND TYPES

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended March 31, 2004

			ERNMENTAL <u>IND TYPE</u>
· · · · · · · · · · · · · · · · · · ·		ı	General Fund
•	REVENUES:		
	Property taxes	\$	93,037
	Licenses and permits		8
•	Intergovernmental:		
	State grants		49,611
	Charges for services		28,898
)	Interest and rentals		2,093
	Other revenue		14,746
	Total revenues		188,393
	EXPENDITURES:		
	General government		54,052
	Public works		55,731
	Recreation and culture		44,689
	Other		2,296
	Capital outlay		283,362
	Total expenditures		440,130
	Excess (deficiency) of revenues over expenditures		(251,737)
	OTHER FINANCING SOURCES (USES):		
	Proceeds from installment purchase debt		157,718
	Total other financing sources (uses)		157,718
	Excess of revenues and other financing sources over (under) expenditures and other financing uses		(94,019)
	Fund balance, beginning of year		302,188
	Fund balance, end of year	\$	208,169
	Fund balance, end of year	\$	208,169

GENERAL FUND

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET & ACTUAL

For the Year Ended March 31, 2004

	GENERAL FUND					
	Budget		Actual		1	Variance Favorable favorable)
REVENUES:						
Taxes Licenses and permits Intergovernmental:	\$	86,680 -	\$	93,037 8	\$	6,357 8
State grants Charges for services Interest and rentals Other revenue		40,200 28,898 2,019 14,698		49,611 28,898 2,093 14,746		9,411 - 74 48
Total revenues		172,495		188,393		15,898
EXPENDITURES:						
General government Public works Recreation and culture		54,052 55,731 44,689		54,052 55,731 44,689		- - -
Other Capital outlay		2,296 283,362		2,296 283,362		-
Total expenditures	_	440,130		440,130		-
Excess (deficiency) of revenues over expenditures		(267,635)		(251,737)		15,898
OTHER FINANCING SOURCES (USES):						
Debt proceeds		157,718		157,718		-
Total other financing sources (uses)		157,718		157,718		-
Excess of revenues and other financing sources over (under) expenditures and other financing uses		(109,917)		(94,019)		15,898
Fund balance, beginning of year		302,188		302,188		-
Fund balance, end of year	\$	192,271	\$	208,169	\$	15,898

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Richland Township, Ogemaw County, Michigan conform to generally accepted accounting principles as applicable to governmental units.

BASIS OF PRESENTATION:

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Fund:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund:

This fund is used to account for assets held as an agent for others.

Account Groups:

General Long-Term Debt Account Group: This account group is established to account for all unmatured long-term indebtedness of the Township that is not directly related to and expected to be paid from Proprietary Fund Types.

BASIS OF ACCOUNTING:

The general purpose financial statements have been prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the year in which they become available and measurable, and expenditures are recognized in the year the liability is incurred. The Township has followed a policy of not recognizing the recurring monthly/year end accounts payables which are considered immaterial. The amount of such unrecognized recurring payables, at the beginning and end of the year were approximately \$1,000.

PROPERTY TAXES:

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14, with the final collection date of February 28 before they are added to the county tax rolls. The 2003 Township levy was as follows:

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

NOTE 1 - Summary of Significant Accounting Policies, continued

PROPERTY TAXES, continued:

\$	24,130,370
	.8627
	1.3255
	.6720
al	2.8602
	\$ al

FIXED ASSETS:

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase.

INVESTMENTS:

Investments, if any, are stated at fair value.

INVENTORIES:

Inventories of supplies are considered to be immaterial and are not recorded.

BUDGETS AND BUDGETARY ACCOUNTING:

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

- 1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
- 2. The proposed budgets include expenditures as well as the methods of financing them.
- 3. Public hearings are held to obtain taxpayer comments.
- 4. The budgets are adopted by a majority vote of the Township Board.
- 5. The budgets are adopted on the modified accrual basis of accounting.
- 6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
- 7. The adopted budgets are used as a management control device during the year for all budgetary funds.
- 8. Budget appropriations lapse at the end of each fiscal year.
- 9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all the amendments that were approved by the Township Board during the fiscal year.

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

NOTE 1 - Summary of Significant Accounting Policies, continued

ENCUMBRANCES:

Encumbrances involving the current recognition of purchase orders, contracts, and other commitments for future expenditures are not recorded.

SCOPE OF REPORTING ENTITY:

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements contain all the Township funds and component units that are controlled by or dependent on the Township's executive or legislative branches.

JOINT VENTURE:

The Townships of Richland and Logan jointly established the Richland Logan Fire Authority in 1998. The Fire Authority has been authorized by the voters to levy taxes for operations and capital acquisition.

ACCUMULATED UNPAID BENEFITS:

Employees are not allowed to accumulate vacation and sick pay and therefore, no amount has been shown in the General Long-Term Debt Group of Accounts in accordance with Governmental Accounting Standards Board's Statement No. 16 "Accounting for Compensated Absences."

NOTE 2: INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	<u>\$</u>	Current Tax Collection	<u>\$</u>

NOTE 3: POSTEMPLOYMENT BENEFITS

The Township provides no postemployment benefits to retirees.

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

NOTE 4: RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 5: DEPOSITS

The Government Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year end are as follows:

Deposits	Bank Balances
Insured FDIC Uninsured	\$ 200,000 144,478
Total deposits	\$ 344,478

At year end the balance sheet carrying amount of deposits was 201,872.

NOTE 6: TOTAL - MEMORANDUM ONLY

The general purpose financial statements present total columns for the year ended March 31, 2004 which aggregate the columnar statements by fund type and account group. These columns are presented only for comparative purposes and should not be construed as presenting consolidated financial information.

NOTE 7: DESIGNATED FUND BALANCE

The fund balance of the general fund is designated for the following items:

Roads	\$ 58,875
Hardwood Lake improvements	60,502
Gypsy Moth control	805
	\$ 120,182

NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2004

NOTE 8: LONG-TERM DEBT

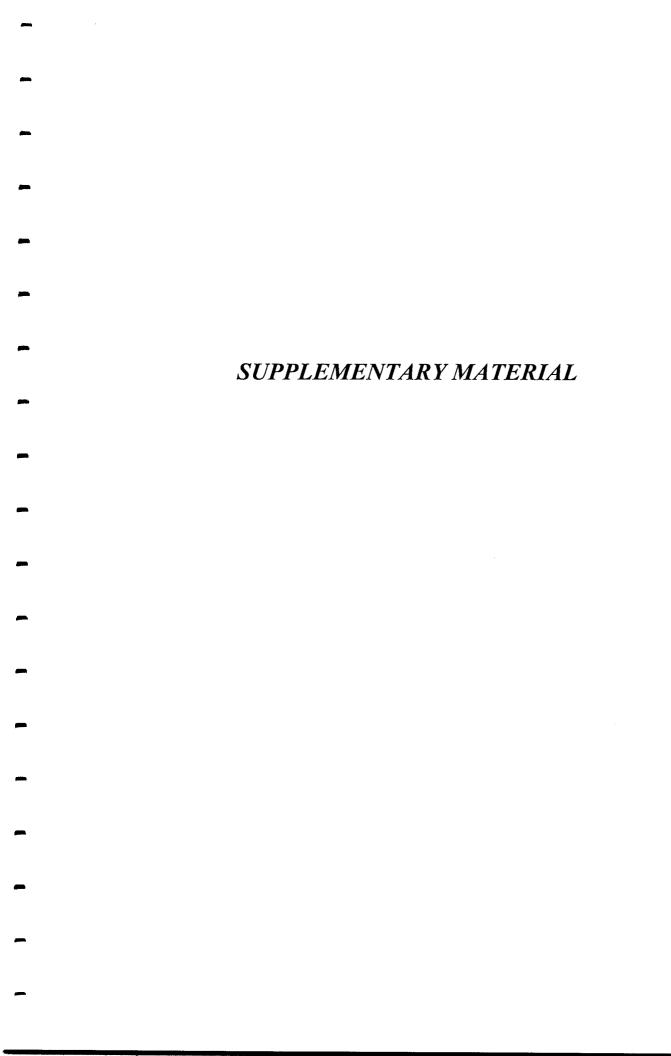
The following is a summary of the total debt outstanding of the Township as of March 31, 2004 and changes during the year:

	Bala Apri 200	il 1,	Increase Decrease)	Balance Iarch 31, 2004
\$175,000 INSTALLMENT PURCHASE CONTRACT – BUILDING CONSTRUCTION Payable in annual installments of \$11,666.67 plus interest at 3.99%. Due on September 10 each year through the year 2018.	\$	-	\$ 157,718	\$ 157,718
Total long-term debt	\$	-	\$ 157,718	\$ 157,718

The annual debt service requirements to maturity for all debt including interest of \$55,906 are as follows:

Year Ending March 31,	General Long-Term Debt Group
2005	\$ 18,668
2006	18,184
2007	17,718
2008	17,253
2009	16,801
After 2009	142,282
	\$ 203,906

As of March 31, 2004, the Township has only drawn down \$157,718 on this contract.



GENERAL FUND

STATEMENT OF REVENUES AND OTHER FINANCING SOURCES

For the Year Ended March 31, 2004

REVENUES:	
Current Taxes:	
Property taxes	\$ 85,628
Property tax administration fee	7,409
	93,037
Licenses and Permits:	
Non-business licenses and permits	8
	8
State Grants:	16 651
State revenue sharing State grants – summer tax collection	46,651 2,960
State grants – summer tax concerton	
Changes for Samiosa	49,611
Charges for Services: Refuse collection fees	2,131
Campground	22,052
Cemetery fees	2,150
Dust control	2,565
	28,898
Interest and Rent:	
Interest earned	1,018
Rents	1,075
	2,093
Other Revenue:	42.252
Sale of building	12,262
Contributions and donations Reimbursements	1,000 296
Refunds and rebates	265
Miscellaneous/other	923
	14,746
Total revenues	188,393
OTHER FINANCING SOURCES:	-
Proceeds from installment purchase debt for building	157,718
Total other financing sources	157,718
-	
Total revenues and other financing sources	\$ 346,111

GENERAL FUND

STATEMENT OF EXPENDITURES

For the Year Ended March 31, 2004

EXPENDITURES:

General Government:

Council:	
Personnel	\$ 2,760
Supplies	1,216
Contracted services	770
Telephone	755
Mileage/auto	303
Dues and memberships	518
Education and training	170
Printing and publications	517
Insurance	4,912
Other	735
	12,656
Supervisor:	
Personnel	4,200
Supplies	199
Mileage/auto	192
Dues and memberships	20
	4,611
Clerk:	
Personnel	4,500
Supplies	84
Mileage/auto	67
	4,651
Board of Review:	
Personnel	925
Supplies	28
Mileage/auto	47
Education and training	420
_	1,420
Treasurer:	4.000
Personnel	4,200
Supplies	1,385
Contracted services	2,424
Mileage/auto	231
Education and training	75
	8,315

GENERAL FUND

STATEMENT OF EXPENDITURES, continued

For the Year Ended March 31, 2004

EXPENDITURES, continued

General Government, continued:

Assessor/Equalization: Contracted services Printing and publications Other	10,149 189 315
	10,653
Elections:	
Supplies	38
Contracted services	291
	329
Building and Grounds:	
Personnel	150
Supplies	819
Contracted services	500
Insurance	405
Water hydrants	2,677
Other	775
	5,326
Cemetery:	
Supplies	73
Contracted services	2,517
Printing and publications	71
Insurance	142
Repairs and maintenance	2,575
	5,378
Other General Government:	
Personnel	713
	713
Total general government	54,052

GENERAL FUND

STATEMENT OF EXPENDITURES, continued

For the Year Ended March 31, 2004

EXPENDITURES, continued

Public Works:

1 word // Orns	
Highways and Streets:	
Contracted services	45,000
	45,000
Street Lighting:	
Utilities	1,705
	1,705
Refuse:	
Personnel	1,430
Contracted services	1,716
Insurance	100
Repairs and maintenance	125
	3,371
Other Public Works:	
Contracted services	5,655
	5,655
Total public works	55,731
Recreation and Culture:	
Parks and Recreation:	
Personnel	7,095
Supplies	1,782
Contracted services	29,704
Telephone	437
Mileage/auto	10
Printing and publications	252
Insurance	234
Utilities	1,393
Repairs and maintenance	448
Other	1,045
	42,400

GENERAL FUND

STATEMENT OF EXPENDITURES, continued

For the Year Ended March 31, 2004

EXPENDITURES, continued

Recreation and Culture, continued:	
Library: Personnel	
Telephone	520
Utilities	983
Repairs and maintenance	390 288
Other	110
	2,289
Total recreation and culture	44,689
Other:	
Retirement:	
Fringe benefits	1,300
	1,300
Payroll Taxes:	
Fringe benefits	996
	996
Total other	2,296
Capital Outlay:	
General Government:	
Board/council	536
Building and grounds	279,267
Cemetery	1,143
	280,946
Recreation and Culture:	•
Parks and recreation	2,416
	2,416
Total capital outlay	283,362
Total expenditures	\$ 440,130

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended March 31, 2004

ASSETS: Cash in bank	Balance 4/1/03 Additions		Deductions		Balance 3/31/04		
	\$ -	\$	668,651	\$	668,651	\$	-
LIABILITIES:							
Due to other funds Due to other units	\$ -	\$	79,803 588,848	\$	79,803 588,848	\$	-
Total liabilities	\$ _	\$	668,651	\$	668,651	\$	-

GENERAL LONG-TERM DEBT

SCHEDULE OF INDEBTEDNESS

March 31, 2004

TYPE OF ISSUE:

Installment Purchase Contract

PURPOSE OF ISSUE:

Construction of Township Hall

AMOUNT OF ISSUE:

\$175,000

INTEREST RATE:

3.99%

Fiscal	Year				
Ended					

March 31,		Principal		Interest	Total		
2005	\$	11,666	\$	7,002	\$	18,668	
2006		11,667		6,517		18,184	
2007		11,667		6,051		17,718	
2008		11,666		5,586		17,252	
2009		11,667		5,134		16,801	
2010		11,667		4,655		16,322	
2011		11,666		4,190		15,856	
2012		11,667		3,724		15,391	
2013		11,667		3,267		14,934	
2014		11,666		2,794		14,460	
2015		11,667		2,327		13,994	
2016		11,667		1,862		13,529	
2017		11,666		1,400		13,066	
2018		11,667		931		12,598	
2019		11,667		466		12,133	
	<u>\$</u>	175,000	\$	55,906	\$	230,906	



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MANAGEMENT LETTER

To the Township Board Richland Township Ogemaw County, Michigan

We have audited the general purpose financial statements of Richland Township as of and for the year ended March 31, 2004, and have issued our report thereon dated July 20, 2004. As part of our audit, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards, the purposes of our evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the general purpose financial statements and to assist us in planning and performing this examination of the general purpose financial statements.

The objectives of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing general purpose financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily require estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgement, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of general purpose financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our audit of the general purpose financial statements made in accordance with generally accepted auditing standards, including the study and evaluation of the Township's system of internal accounting control for the year ended March 31, 2004, that was made for the purposes set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

Such study and evaluation disclosed no conditions that we believe to be material weaknesses for which correction action by management is practicable in the circumstances. We, however, note the following:

MANAGEMENT LETTER - Page 2

TAX ACCOUNT DISTRIBUTIONS

State law requires that property tax collections be promptly distributed to the other governmental units. The Township Treasurer is required to distribute tax collections to other units within ten (10) business days after the 1st and 15th of each month during the tax collection period.

We noted that tax distributions to the other governmental units were not being made on a timely basis.

We recommend that tax collections be distributed in accordance with the requirements of the State law.

PRE-NUMBERED RECEIPTS

We noted that the Township was not using the official pre-numbered receipt forms during the fiscal year. We highly recommend that pre-numbered receipt forms be purchased and used in sequence.

The foregoing conditions were considered in determining the nature, timing, and extent of audit tests to be applied in our audit of the general purpose financial statements, and this report of such conditions does not modify our report dated July 20, 2004, on such general purpose financial statements.

If we can be of any further assistance to you, please do not hesitate to contact us.

We express our appreciation for the courtesies and cooperation extended to us while conducting the audit.

Berthiaume & Company Certified Public Accountants

Bonhaume & Co

July 20, 2004

